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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 2-88162

NATIONAL PROPANE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	11-1723340
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6917 Collins Avenue Miami Beach, Florida	33141
(Address of principal executive offices)	(Zip code)

PROCESSED BY
MAR 20 1992
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Registrant's telephone number, including area code (305) 865-2448

(Former name, former address & former fiscal year, if changed since last year)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes __X__. No _____.

All of the voting stock of the registrant is held by the registrant's parent, DWG Corporation. There were 1,000 shares of the registrant's common stock ($1.00 par value) outstanding as of March 1, 1992.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

NATIONAL PROPANE CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of DWG Corporation)
Consolidated Balance Sheets
(Unaudited)

Assets	January 31, 1992	April 30, 1991
	(In thousands)	
Current assets:		
Cash and equivalents	$ 5,676	7,637
Receivables (less allowance for doubtful accounts of $1,304,000 and $808,000)	12,791	10,046
Net investment in direct finance lease receivables from affiliates	11,962	12,552
Inventories	7,793	6,956
Due from parent company	11,924	5,443
Due from affiliates (less allowance for doubtful accounts of $452,000 and $227,000)	1,352	2,929
Other current assets	896	3,195
Total current assets	52,394	48,758
Net investment in direct finance lease receivables from affiliates (less allowance for doubtful accounts of $1,318,000 and $1,730,000)	18,917	20,668
Due from parent company	80,000	80,000
Properties, at cost	118,528	115,830
Less accumulated depreciation	53,168	50,036
	65,360	65,794
Deferred financing costs	1,723	2,005
Other assets	2,621	2,066
	$221,015	219,291
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 17,026	22,845
Accounts payable	5,230	4,498
Accrued interest	4,155	1,858
Accrued salaries and wages	5,425	5,203
Accrued income taxes	419	785
Other current liabilities	2,483	1,966
Total current liabilities	34,738	37,155
Long-term debt (less unamortized deferred discount of $4,865,000 and $5,528,000)	115,898	112,192
Deferred income taxes	2,321	2,321
Deposits and other liabilities	1,008	4,919
Stockholders' equity:		
Preferred stock	1,250	1,250
Common stock, $1 par value; 1,000 shares authorized, issued and outstanding	1	1
Capital in excess of par value	12,872	9,391
Retained earnings	53,565	52,905
Equity in net unrealized losses on marketable securities of insurance affiliate	-	(205)
	67,688	63,342
Less 47,880 preferred shares in treasury, at cost	638	638
Total stockholders' equity	67,050	62,704
	$221,015	219,291

See accompanying notes to consolidated financial statements.

NATIONAL PROPANE CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of DNG Corporation)
Consolidated Statements of Earnings and Retained Earnings
(Unaudited)

	Three months ended January 31,		Nine months ended January 31,	
	1992	1991	1992	1991
	(In thousands)			
Operating revenues:				
Unaffiliated	$ 41,202	45,612	82,252	91,634
Affiliated	938	1,062	2,986	3,316
	42,140	46,674	85,238	94,950
Operating costs and expenses:				
Cost of sales	27,622	30,495	58,059	63,415
Depreciation and amortization	1,863	1,898	5,502	5,630
Selling, general and administrative expenses	4,653	5,014	12,143	12,138
Charges from affiliates	1,899	1,849	4,976	5,271
	36,037	39,256	80,680	86,454
Operating profit	6,103	7,418	4,558	8,496
Other expenses (income):				
Interest expense	4,515	4,536	13,658	13,682
Interest income from parent company	(4,184)	(3,779)	(12,128)	(11,674)
Interest income	(92)	(131)	(327)	(338)
Other, net	(90)	(120)	(328)	(459)
	149	506	875	1,211
Earnings before income taxes and equity in net earnings (loss) of affiliate	5,954	6,912	3,683	7,285
Provision for income taxes	2,337	2,714	1,446	2,860
	3,617	4,198	2,237	4,425
Equity in net earnings (loss) of affiliate	1	(537)	277	251
Net earnings	3,618	3,661	2,514	4,676
Retained earnings at beginning of period	50,565	50,583	52,905	50,804
Dividends paid:				
Common stock	(615)	(615)	(1,845)	(1,845)
Preferred stock	(3)	(3)	(9)	(9)
Retained earnings at end of period	$ 53,565	53,626	53,565	53,626

See accompanying notes to consolidated financial statements.

NATIONAL PROPANE CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of DWG Corporation)
Consolidated Statements of Cash Flows
(Unaudited)

	Nine months ended January 31,	
	1992	1991
	(In thousands)	
Cash flows from operating activities:		
Net earnings	$ 2,514	4,676
Adjustments to reconcile net earnings to net cash and equivalents provided by operating activities:		
Depreciation and amortization	5,502	5,630
Amortization of deferred debt discount and financing costs	945	814
Increase in receivables	(2,745)	(6,172)
Decrease (increase) in inventories	(837)	112
Decrease in other current assets	2,299	557
Increase in other assets	(406)	(266)
Increase (decrease) in accounts payable	732	(597)
Increase in current liabilities other than accounts payable and current portion of long-term debt	2,670	4,278
Gain on sales of properties	(174)	(293)
Equity in net earnings of affiliate	(277)	(251)
Other, net	(106)	(80)
Net cash and equivalents provided by operating activities	10,117	8,408
Cash flows from investing activities:		
Capital expenditures	(3,953)	(3,781)
Proceeds from sales of properties	174	293
Decrease in net investment in direct finance lease receivables from affiliates	2,341	391
Decrease in due from affiliates	1,577	1,652
Increase in due from parent company	(8,326)	(27)
Net cash and equivalents used in investing activities	(8,187)	(1,472)
Cash flows from financing activities:		
Proceeds from long-term debt	9,387	10,249
Repayments of long-term debt	(13,278)	(13,870)
Net cash and equivalents used in financing activities	(3,891)	(3,621)
Net increase (decrease) in cash and equivalents	(1,961)	3,315
Cash and equivalents at beginning of period	7,637	4,754
Cash and equivalents at end of period	$ 5,676	8,069

NATIONAL PROPANE CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of DWG Corporation)
Consolidated Statements of Cash Flows (continued)
(Unaudited)

	Nine months ended January 31,	
	1992	1991
	(In thousands)	
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 10,416	10,572
Income taxes	$ 792	173
Supplemental schedule of noncash investing and financing activities:		
Capital expenditures:		
Total capital expenditures	$ 5,068	4,764
Amounts representing capitalized leases	(1,115)	(983)
Capital expenditures paid in cash	$ 3,953	3,781
Due from parent company:		
Net change in due from parent company	$ (6,481)	1,818
Dividends paid	(1,845)	(1,845)
Increase in due from parent company	$ (8,326)	(27)

During the nine months ended January 31, 1992 and 1991, the Company received interest payments from DWG Corporation ("DWG") of approximately $750,000 and $6,486,000 in cash, and in the form of offsets against amounts advanced to DWG and interest thereon, approximately $1,202,000 and $2,274,000 in income taxes due under a tax-sharing agreement, $1,845,000 for both year in dividends payable to DWG and approximately $691,000 and $5,753,000 in the form of offsets of amounts due to DWG for management services.

On December 23, 1991, the Company acquired from a subsidiary of American Financial Corporation $5 million aggregate principal amount of the Company's 13 1/8% Senior Subordinated Debentures in exchange for a promissory note (see Note 6). Due to its noncash nature, this exchange of debt has not been reflected in the consolidated statement of cash flows for the nine months ended January 31, 1992.

The reduction in the Company's ownership of CFC Holdings resulted in the Company reclassifying, as of July 31, 1991, to "Capital in excess of par value" the cumulative equity in net losses of CFC Holdings amounting to approximately $3.5 million which was previously recorded in "Deposits and other liabilities" (see Note 4). Due to its noncash nature, the reduction in ownership in CFC Holdings is not reflected in the consolidated statement of cash flows.

See accompanying notes to consolidated financial statements.

NATIONAL PROPANE CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of DWG Corporation)
Notes to Consolidated Financial Statements
January 31, 1992
(Unaudited)

1. Basis of Presentation

The condensed financial information included herein has been prepared by the Company without audit, for filing with the Securities and Exchange Commission. Certain information and notes have been condensed or omitted pursuant to the rules and regulations of said Commission. The financial information presented herein, while not necessarily indicative of results to be expected for the year, reflects all adjustments, consisting of normal recurring adjustments, which in the opinion of the Company are necessary for a fair statement of the results for the periods indicated. This financial information should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended April 30, 1991.

2. Cash and Equivalents

The Company classifies as cash and equivalents all highly liquid investments with a maturity of three months or less when purchased.

3. Inventories

Inventories, consisting principally of finished goods, are stated at the lower of cost (first-in, first-out basis) or market, and include freight and carrying costs.

4. Investments, at Equity

As of April 30, 1991, the Company owned 12% of the outstanding common voting securities of Royal Crown Corporation, which until the restructuring of its indebtedness in July 1991 was known as Chesapeake Financial Corporation ("Royal Crown") and is accounted for on the equity method. In addition, DWG owned 100% of the outstanding convertible preferred securities of Royal Crown. In July 1991, in connection with the restructuring of substantially all of the outstanding indebtedness of Royal Crown, the outstanding shares of common stock of Royal Crown, including the shares of common stock issued upon the conversion of such convertible preferred stock by DWG, were exchanged on a one for one basis for common stock of a newly-formed holding company, CFC Holdings Corp. ("CFC Holdings") resulting in ownership by DWG of approximately 88.7% of the voting securities of CFC Holdings and a reduction in the ownership of the Company to approximately 1.4% of the outstanding common stock of CFC Holdings. Also in connection with the restructuring, Royal Crown became a wholly-owned subsidiary of CFC Holdings and the shares of Chesapeake Insurance Company Limited ("Chesapeake Insurance"), a wholly-owned subsidiary of Chesapeake Financial Corporation domiciled in Bermuda, were transferred to CFC Holdings as a dividend and CFC Holdings assumed approximately $28 million of obligations of Royal Crown under a note held by Chesapeake Insurance.

4. Investments, at Equity (continued)

After the restructuring, Royal Crown's principal subsidiaries continue to be Arby's, Inc. ("Arby's") and Royal Crown Cola Co. ("RC Cola"). The reduction in the Company's ownership of CFC Holdings resulted in the Company reclassifying, as of July 31, 1991, to "Capital in excess of par value" the cumulative equity in net losses of CFC Holdings amounting to approximately $3.5 million which was previously recorded in "Deposits and other liabilities".

As of April 30, 1991, the Company's cumulative equity in the net losses of Royal Crown, then known as Chesapeake Financial Corporation, had exceeded its original investment by approximately $3,813,000. This excess had been reclassified to "Deposits and other liabilities" in the accompanying consolidated balance sheet.

5. Federal Income Taxes

In February 1992, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 109, "Accounting for Income Taxes" which requires the Company to adopt new accounting and disclosure rules no later than in its fiscal year ending April 30, 1994, although earlier implementation is permitted. Adoption of the new standard will result in a catch-up adjustment that may be reported in the year the standard is implemented or in an earlier year if the Company elects retroactive application.

The Company expects to adopt the new standard when required and does not plan to restate prior periods. Based on existing conditions and a preliminary review, the Company expects the new standard to have a favorable one-time effect on net income and to improve the Company's reported financial position when the new standard is adopted.

6. Long-term Debt

As previously reported in the Company's Annual Report on Form 10-K for the year ended April 30, 1991, the Company and DWG have certain secured borrowings from subsidiaries of American Financial Corporation ("AFC") under a loan agreement (the "AFC Agreement"). In July 1988, DWG issued to subsidiaries of AFC additional notes under the AFC agreement aggregating $13 million. The loans under the AFC Agreement in the current outstanding aggregate principal amounts of $30 million to the Company guaranteed by DWG and $20.8 million to DWG guaranteed by the Company currently bear interest at the rate of 11-3/4% per annum, subject to further reduction to 11% per annum if Royal Crown prepays $160 million of its indebtedness in a lump sum prepayment (other than in connection with the restructuring by Royal Crown of substantially all of its indebtedness which was completed

6. Long-term Debt (continued)

in July 1991) or if all the stock or assets of Royal Crown's subsidiaries, Arby's or RC Cola, are sold, in each case on terms acceptable to the lenders party to the AFC Agreement and AFC in their reasonable judgment. The loans to the Company and its guarantee of the loans to DWG are secured by, among other things, substantially all of the assets of the Company and substantially all of its subsidiaries and all of the stock of the subsidiaries of the Company, and are guaranteed by substantially all of the subsidiaries of the Company.

The AFC Agreement, as amended, contains certain restrictive covenants including a limitation on the incurring of indebtedness or the granting of liens on the assets of the Company and certain of its subsidiaries and a limitation on certain transactions with affiliated corporations.

On December 23, 1991, the Company acquired from a subsidiary of AFC $[illegible] million aggregate principal amount of the Company's 13 1/8% Senior Subordinated Debentures, previously owned by such subsidiary of AFC, in exchange for a promissory note bearing interest at 11 3/4% per annum payable in equal monthly installments of principal and interest in the amount of $59,207 per month and maturing on December 23, 2001. Such note is secured by mortgages on real estate of the Company having a fair market value on the date of closing of not less than $7.5 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The "Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein should be read in conjunction with the Management's Discussion included in the Annual Report on Form 10-K for the year ended April 30, 1991 (the "Form 10-K") of National Propane Corporation (the "Company").

Financial Condition and Liquidity

The Company's consolidated cash and equivalents decreased to $5.7 million at January 31, 1992 compared with $7.6 million at April 30, 1991 principally due to the excess of repayments of long-term debt over proceeds obtained therefrom and the increase in due from parent company.

On May 1, 1986, the Company and DWG completed secured borrowings aggregating $55 million from subsidiaries of American Financial Corporation ("AFC") under a loan agreement (the "AFC Agreement"). DWG used the proceeds of such borrowings, including an advance by the Company of the proceeds received by it from its borrowings, to repay the $50 million of DWG's Zero Coupon Senior Subordinated Notes which matured on May 1, 1986, together with accrued interest on such notes from March 1, 1986. The advance by the Company bears interest and matures on terms which are the same as those of the borrowings under the AFC Agreement. The borrowings under the AFC Agreement initially consisted of loans in an aggregate principal amount of $25 million to DWG guaranteed by the Company and loans in an aggregate principal amount of $30 million to the Company guaranteed by DWG. During fiscal 1987 and 1988, DWG prepaid an aggregate of $17.2 million of such loans under the AFC Agreement. Such loans to DWG and its guarantee of the loans to the Company under the AFC Agreement are secured by a pledge of the shares of the Company owned by DWG. The loans to the Company and its guarantee of the loans to DWG are secured by, among other things, substantially all of the assets of the Company and substantially all of its subsidiaries and all of the stock of the subsidiaries of the Company, and are guaranteed by substantially all of the subsidiaries of the Company.

In July 1988, DWG issued to subsidiaries of AFC additional notes under the AFC Agreement aggregating $13 million. The loans under the AFC Agreement in the current outstanding aggregate principal amounts of $30 million to the Company guaranteed by DWG and $20.8 million to DWG guaranteed by the Company currently bear interest at the rate of 11-3/4% per annum, subject to further reduction to 11% per annum if Royal Crown Corporation, formerly known as Chesapeake Financial Corporation ("Royal Crown"), prepays $160 million of its indebtedness in a lump sum prepayment (other than in connection with the restructuring by Royal Crown of substantially all of its indebtedness which was completed in July 1991) or if all the stock or assets of Royal Crown's subsidiaries, Arby's, Inc. and Royal Crown Cola Co., are sold, in each case on terms acceptable to the lenders party to the AFC Agreement and AFC in their reasonable judgment.

The AFC Agreement, as amended, also contains certain restrictive covenants including a limitation on the incurring of indebtedness or the granting of liens on the assets of the Company and certain of its subsidiaries and a limitation on certain transactions with affiliated corporations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Financial Condition and Liquidity (continued)

The Company is required to retire annually, commencing March 1, 1992, through the operation of a mandatory sinking fund $7 million principal amount of its 13-1/8% Senior Subordinated Debentures. The Indenture for such debentures provides that in lieu of making such payment in cash, the Company may credit against the mandatory sinking fund requirement, the principal amount of debentures acquired by the Company, other than through the operation of such mandatory sinking fund. On December 23, 1991, the Company acquired from a subsidiary of AFC $5 million aggregate principal amount of the Company's 13 1/8% Senior Subordinated Debentures, previously owned by the subsidiary of AFC, in exchange for a promissory note bearing interest at 11 3/4% per annum payable in equal monthly installments of principal and interest in the amount of $59,207 per month and maturing December 23, 2001. Such note is secured by mortgages on real estate of the Company having a fair market value on the date of closing of not less than $7.5 million. The Company satisfied such mandatory sinking fund requirement due March 1, 1992 by the delivery of $7 million of debentures acquired from such subsidiary of AFC and through purchases from holders thereof. The provisions of the indenture contain, among other things, certain restrictions on the payment of cash dividends and the repurchase of capital stock. At January 31, 1992, approximately $11.6 million was permitted to be used for such purposes under such provisions. It is currently expected that any such dividend declared by the Company to DWG as holder of all the Company's outstanding common stock would be used to offset indebtedness and interest accrued thereon owed by DWG to the Company.

At January 31, 1992, the Company had outstanding advances to DWG totalling $91.9 million. $80 million of such advances has been classified as a non-current asset in the consolidated balance sheets included elsewhere herein. Advances averaging $30 million bear interest at the average effective interest rate payable under the AFC Agreement and the balance bears interest at a rate equal to the effective interest rate to the Company on its 13-1/8% Senior Subordinated Debentures due March 1, 1999. During the nine months ended January 31, 1992, the Company received interest payments from DWG of $750,000 in cash, $1,845,000 in the form of an offset of dividends payable to DWG, approximately $1,202,000 in income taxes due under a tax-sharing agreement and approximately $691,000 in the form of offsets of amounts due to DWG for management services, against amounts advanced to DWG and interest thereon. The Company expects to continue receiving interest in cash and by similar offsets of future amounts due DWG.

In order to meet its future cash requirements, including debt service, the Company may reduce inventories and extend certain payables beyond normal time periods. It is presently expected that cash generated from operations may be required to be supplemented by increased cash payments of accrued interest and/or principal on the advances to DWG described above or through

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Financial Condition and Liquidity (continued)

re-financing, sales of assets or restructuring of debt and/or operations by the Company. The Company presently believes, but can give no assurance, that cash flow from operations supplemented by such other sources will be sufficient to enable it to meet its cash needs in the short-term. The ability of the Company to meet its long-term cash requirements is dependent upon its ability to obtain and sustain sufficient cash flow from operations and its ability to retain sufficient financing from banks and others.

Results of Operations

Three Months Ended January 31, 1992 Compared with Three Months Ended January 31, 1991

Operating revenues for the three months ended January 31, 1992 decreased to $42.1 million from $46.7 million for the same period in the prior year due to a sharp decline in average selling prices caused by severe price competition and unseasonably mild weather conditions.

Operating profit decreased due to lower margins resulting from the decline in the average selling prices described above. Also reducing operating profit were increased delivery expenses.

The increase in equity in net earnings (loss) of affiliate was due to the improved results of CFC Holdings.

Nine Months Ended January 31, 1992 Compared with Nine Months Ended January 31, 1991

Operating revenues for the nine months ended January 31, 1992 decreased to $85.2 million from $95.0 million for the same period in the prior year due to a sharp decline in the average selling price during the second and third quarters caused by severe price competition and a decrease in the number of gallons sold due to unseasonably mild weather conditions.

Operating profit decreased due to lower margins resulting from the decline in the average selling prices and lower volume described above. Also reducing operating profit were increased delivery expenses.

Part II. OTHER INFORMATION.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

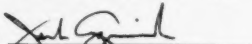
The registrant did not file any reports on Form 8-K during the three months ended January 31, 1992.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NATIONAL PROPANE CORPORATION

Date: March 16, 1992

By: 

Jack Coppersmith
Executive Vice President,
Chief Financial Officer and
Principal Accounting Officer